

Message Text

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HONG KONG FOR REGIONAL TREASURY REPRESENTATIVE

E.O. 11652: N/A
TAGS: ECRP, TW
SUBJ: CERP 0231--ROC GOLD AND FOREIGN EXCHANGE HOLDINGS

REF: TAIPEI A-81 OF SEPT., 6, 1977

1. FOREIGN EXCHANGE HOLDINGS OF THE CENTRAL BANK OF CHINA AND DOMESTIC COMMERCIAL BANKS, AS REPORTED TO THE IMF BY THE CENTRAL BANK, HAVE INCREASED SHARPLY OVER THE PAST TWO YEARS. NET HOLDINGS AT THE END OF 1977 WERE USDOLS 3,858 MILLION, AN INCREASE OF 30 PERCENT OVER THE TOTAL AT THE END OF JUNE, 1977, AND MORE THAN THREE TIMES THE AMOUNT REPORT TO THE IMF AT THE END OF 1976 (US 1,273 MILLION). NET FOREIGN ASSETS REPORTED IN THE TAIWAN FINANCIAL STATISTICS MONTHLY (A CENTRAL BANK PUBLICATION) REACHED A RECORD HIGH OF US\$4,451 MILLION AT THE END OF DEC., 1977, 54 PERCENT HIGHER THAN ONE YEAR PREVIOUSLY, REPRESENTING THE VALUE OF MORE THAN SIX MONTH'S IMPORTS, BASED ON 1977 AVERAGE MONTHLY IMPORTS. THE FINANCIAL STATISTICS MONTHLY INCLUDES MARKETABLE SECURITIES OF MORE THAN ONE YEAR'S MATURITY IN ITS CALCULATIONS OF NET FOREIGN ASSETS; SUCH SECURITIES ARE NOT INCLUDED IN THE TOTAL

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REPORTED TO THE IMF. THE BUILD-UP IN FOREIGN EXCHANGE HAS BEEN CAUSED BY RECENT TRADE SURPLUSES, AND BY THE INFLOW OF FOREIGN CAPITAL, AS THE FOLLOWING TABLE INDICATES:

	CAPITAL INFLOWS	
-		
-	A	LONG SHORT B A
YEAR	TRADE SURPLUS	TERM TERM TOTAL PLUS B

1975	-255	643	-83	560	305
1976	791	626	171	797	1,588
1977	1,215	324	195	519	1,734

(PRELIM. FIGURES)

2. THE BUILD-UP IN FOREIGN RESERVES HAS BEEN THE MAIN CAUSE OF RECENT LARGE INCREASES IN THE MONEY SUPPLY. ALTHOUGH PRELIMINARY FIGURES FOR FEBRUARY, 1978 SHOW AN INCREASE IN THE MONEY SUPPLY OF 23 PERCENT SINCE FEBRUARY, 1977, CONSIDERABLY LOWER THAN THE ANNUAL INCREASES IN EACH OF THE PREVIOUS 5 MONTHS, DEPUTY GOV. LIANG KUO-SHU OF THE CENTRAL BANK INDICATED TO EMBOFF THAT THE RATE FOR MARCH MAY AGAIN BE IN THE 30 PERCENT RANGE. HE STATED THAT THE CENTRAL BANK IS CONCERNED BUT IS NOT AT THIS TIME CONSIDERING ANY MEASURES TO SLOW DOWN THE INCREASE IN THE MONEY SUPPLY.

3. THE CENTRAL BANK'S FOREIGN EXCHANGE RESERVES BY CURRENCIES AS OF THE END OF 1977 WERE AS FOLLOWS:

		PERCENT	
CURRENCY	AMOUNT	EQUIV. OF US DOLLARS	TOTAL
US.DOL. US	1,210,634,994.11	US 1,210,634,994.11	89.98
DEUTSCHE			
MARCK DM	83,465,142.16	39,650,866.97	2.95
H.K. DOL.HK	118,603,378.48	25,699,573.07	1.91
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FRANC SFR	39,989,450.77	19,895,231.63	1.48
POUND			
STERLING	8,669,468.02	16,524,006.05	1.23
JAPANESE			
YEN	3,243,260,564.58	13,513,596.50	1.00
OTHERS		19,536,918.39	1.45
TOTAL		US 1,345,455,186.72	100.00

4. THE PERCENTAGE SHARE OF TOTAL RESERVES HELD IN US DOLLARS DECLINED FROM 94 PERCENT AT THE END OF 1976 TO 90 PERCENT ONEYEAR LATER. GOVERNOR YU OF THE CENTRAL BANK RECENTLY STATED PUBLICLY THAT THE PERCENTAGE SHARE OF US DOLLARS WDULD PROBABLY BE REDUCED IN THE FUTURE BECAUSE OF THE DECLINING EXCHANGE RATE FOR THE US DOLLAR, IN COMPARISON WITH OTHER MAJOR CURRENCIES.

- ROC GOLD AND FOREIGN EXCHANGE

- HOLDING AS REPORTED TO THE INTERNATIONAL MONETARY FUND

- (US DOLLARS MILLION)

	DECEMBER	JUNE 30
	1977	1976
1. GOLD	103	91
2. FOREIGN EXCHANGE		

HOLDINGS OF THE CENTRAL

BANK OF CHINA	1,345 1,516	1,320
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3. FOREIGN EXCHANGE

OF DOMESTIC COMMERCIAL

BANKS	2,740 1,201	1,971
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4. ABOVE 3, NET OF

FOREIGN EXCHANGE

LIABILITIES	1,137 586	1,337
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5. TOTAL, GROSS

(1 PLUS 2 PLUS 3)	4,188 2,808	3,382
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6. TOTAL, NET

(1 PLUS 2 PLUS 4)	3,585 2,193	2,748
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SOURCE: THE CENTRAL BANK OF CHINA. UNGER
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